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REPORT NO. R95-0102
3/31/95

REPORT RE:

CITY OF LOS ANGELES POLICIES FOR BUSINESS
IMPROVEMENT DISTRICTS

The Honorable Community And
Economic Development Committee
Los Angeles City Council
Room 395, City Hall
200 North Spring Street
Los Angeles, California 90012

(Council File No. 94-0866 not transmitted herewith)

Honorable Members:

Pursuant to your instructions, the following is a draft
of the City of Los Angeles Policies on Business Improvement
Districts.

POLICY ON BIDS

1. The proponents of a business improvement district
will be required to demonstrate community interest in the following
manner before the City invests staff time on establishing a
district:

1) The proponents of a new district pursuant to
the Parking and Business Improvement Area Law of 1989 must present
a petition to be circulated by an established organization within
the community and to be in a form prepared by the City Clerk. The
petition must contain the signatures of 15% of the business owners
before Council authorizes City staff to work with the community
organization.

2) The proponents of a new district pursuant to
the Property and Business Improvement Law of 1994 must comply with
the petition requirements set forth in that Law. (Streets and
Highways Code, sections 36600 et seq.).

3) The proponents of the new district must have an organization established with a board of directors by the time that the City is requested to send out the required notice of public hearings so that the Advisory Board can be appointed by Council at the time Council instructs City staff to send out the notice.

2. The City may advance funds to assist a group in determining whether there is community interest in establishing a business improvement district.

3. The City may advance funds to assist a group in establishing a business improvement district after presentation of a petition demonstrating 15% or greater support for the concept.

The City may assist a business group in its organization efforts. However, only groups that have demonstrated little or no independent financial resources may be assisted. Additionally, the group may be required to provide matching funds.

If funds are advanced, the City may require that the funds be reimbursed if a business improvement district is ultimately established. The City will require any group receiving funds to enter into a contract with the City which would provide that the advanced funds could only be used to formulate a district, a budget and an assessment formula, to communicate and meet with the business owners on these issues and to hire a consultant to assist with these issues.

4. If the City does advance funds, the funding shall come from non-General Fund sources. The parking meter fund can be used for this purpose. The amount to be advanced will depend on the size and complexity of the district and the needs of the group requesting financial assistance.

5. The City shall recover the actual salaries of City staff involved in billing and administration of the district and the salaries of their immediate supervisors. City overhead shall not be recovered. The cost of collection of delinquencies shall be borne by the penalty assessed for late payments.

6. The City may advance funds for the first quarter of a new district so that the district can commence work prior to the collection of the assessments. The funds advanced shall be in an amount not to exceed one quarter of the total assessment. The advanced funds will be deducted from the first quarter disbursement to the district.

7. The City may establish a limited number of assessment formulas that can be utilized in Business Improvement Districts not only to ensure that there is a demonstrated nexus between the formula and the benefit received, but also to limit the administrative costs of the City for the billing systems that will need to be maintained.

The assessment formulas that can be used will be limited by the City to equitable formulas that result in a clearly demonstrated nexus between the benefit to be received and the amount to be charged. They must also be relatively easy to administer to ensure that the City's cost to administer the billings will be minimal. A flat fee formula is simple and can be structured in many ways to meet the needs of the community, such as having different rates for different types of businesses and for different areas or zones within the district so that there is a reasonable relationship between the rates and the benefits. Generally, flat fee amounts will be encouraged unless the proponents can demonstrate that a different formula will result in a more direct relationship between benefits to be received and the amount to be assessed.

8. If a business improvement district makes physical improvements to City property it must provide insurance to assure no City liability, must bond the improvement work and must submit an estimated cost of maintaining the improvements with the annual proposed budget. The Council may require the improvements to be removed if a district is disestablished.

9. The City will amend the Administrative Code to include an enabling ordinance for business improvement districts under both the Parking and Business Improvement Area Law of 1989 and the Property and Business Improvement District Law of 1994.

The City enabling ordinance will set forth the City's policies including such items as requiring protests to be submitted on City Clerk forms which would make it easier for the City Clerk to determine whether it is a valid protest, the method for appointment of an Advisory Board, the information needed to support an application for a district including such things as a petition, a budget, an assessment formula and documentation showing the formula fairly relates to the benefits to be received, and the City's policy on billing, collections and the administration of the operating contract.

10. Public hearings on the formation and levying of the assessment shall be held at the Council Committee level in addition to the required hearings at the Council.

11. The City shall enter into a contract with the Advisory Board which allows the Board to spend the assessment funds.

In order to allow the Advisory Boards to administer the funds with minimal supervision, the procedures currently utilized by the City Clerk to administer the General City Purposes Fund, which include reporting requirements and desk audits, with the ability to do a complete audit, will be used for these business improvement district contracts. However, the Board will be subject to rules relating to governmental entities. Since the Board would be spending money collected by the City through an involuntary assessment, the City Attorney's Office and the Fair Political Practices Commission has opined that the Board would be a governmental agency for conflict of interest, Brown Act and public records purposes. (A copy of the FPPC opinion is attached to this report.)

12. A contract with the Advisory Board shall be subject to the following:

1) A boiler plate contract will be used for all districts.

2) The contract will include all the procedural requirements for disbursement and use of the funds.

3) The contract will include an obligation to maintain a roster of businesses within the district and to notify the City Clerk of any businesses which enter the district after the initial billing has been sent out.

4) The Ethics Commission will be responsible for any monitoring of the conflicts provisions of the contract.

13. Procedures for administering the contract and establishing a district shall include the following:

1) Funding shall be disbursed quarterly.

2) The funds need not be disbursed in equal installments. They can be tailored to the needs of the particular district.

3) The Advisory Board must submit quarterly statements showing the use of the previous quarterly disbursement and the intended uses of the current quarterly funds.

4) All protests must be made on a form to be supplied by the City Clerk.

5) Requests for the establishment of a new district, after submission of the petition showing community support, must include the following:

- a) A proposed budget and work program.
- b) A proposed assessment formula.
- c) A proposed district boundary.
- d) Documentation demonstrating the reasonableness of the budget, the work program and the assessment formula.
- e) The by-laws of the proposed Advisory Board.
- f) A list of the Board of Directors of the proposed Advisory Board.

6) A group which is only considering requesting the establishment of a district and who therefore is not prepared to submit the items listed above may still request a meeting with City staff to discuss the formation procedures.

7) Any funds remaining at the end of a fiscal year shall be carried over to the next fiscal year.

8) If there are funds remaining at the end of a fiscal year, but the district is disestablished, the remaining funds shall be used first to pay any outstanding City costs. The remainder, if any, shall be returned on a pro-rata basis to the business owners which are still within the former district's boundaries.

9) If a business is not in the district for the entire fiscal year, the business shall be assessed a pro-rated amount for the months it is in the district.

ADDITIONAL POLICY ISSUE

In addition to the above policy statements requested by this Committee, the working group which assisted in formulating these recommendations suggests that the following policy issue be considered by the Committee:

Should the City establish a BID coordinating unit within either the Mayor's Office of Economic Development or the Community Development Department to assist in establishing and maintaining business improvement districts and to administer the operating contracts for the districts? Currently the City does not have a proactive approach to BIDs. The City Attorney and the City Clerk have directed resources in order to assist in developing the BID program. The City Clerk can continue to be the billing agency for the City, but the policy issue is whether the City should establish a small office with dedicated resources to proactively encourage the creation of BIDs.

Very truly yours,

JAMES K. HAHN, City Attorney

By

Patricia V. Tubert

PATRICIA V. TUBERT
Deputy City Attorney

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Attachment

The within instrument approved by
the Council of the City of Los
Angeles at its meeting of

APR 12 1995

By

Judith Clarke
Deputy



TO THE COUNCIL OF THE
CITY OF LOS ANGELES

Your COMMUNITY AND ECONOMIC DEVELOPMENT COMMITTEE
reports as follows:

Public Comments Yes No
 XX —

COMMUNITY AND ECONOMIC DEVELOPMENT COMMITTEE REPORT relative to
City policy on Business Improvement Districts (BIDs).

Recommendations for Council action, as recommended by the City
Attorney, and SUBJECT TO THE APPROVAL OF THE MAYOR:

1. APPROVE the Interim Policy on Business Improvement Districts
 (BIDs).
2. INSTRUCT the City Attorney to return to the Community and
 Economic Development Committee in 90 days for further discus-
 sion to develop the final policy.

FISCAL IMPACT STATEMENT: No statement was submitted by the City
Attorney.

Summary:

On May 24, 1994, a Community and Economic Development (CED)
Committee report relative to a contract with the Downtown Business
Owners Association to establish an assessment district to provide
maintenance, cleaning and security for public areas in Council
Districts 9 & 14 was approved by Council. A verbal amending Motion
(Walters-Alatorre) was adopted instructing CDD and the CRA to
report back on establishing a policy whereby other business
districts could be assisted in setting up assessment districts for
maintenance, cleaning and security of public areas. On June 10,
1994, another Motion (Walters-Ridley-Thomas) was adopted instruct-
ing the City Attorney, with the assistance of CDD, CLA and City
Clerk, to develop a comprehensive City policy on the formation,
funding and operation of Business Improvement Districts (BIDs).

On August 29 and September 19, 1994, the CED Committee discussed
the report from the City Attorney dated 8-29-95 wherein the City
Attorney presented a number of issues raised by the working group
(City Attorney, CLA, City Clerk, CDD). The matter was again heard
at CED meetings held on September 28, October 17 and November 14,
1994. Representatives from the working group and the public raised
concerns that were discussed at these meetings and the City
Attorney reported that the working group was drafting a recommended


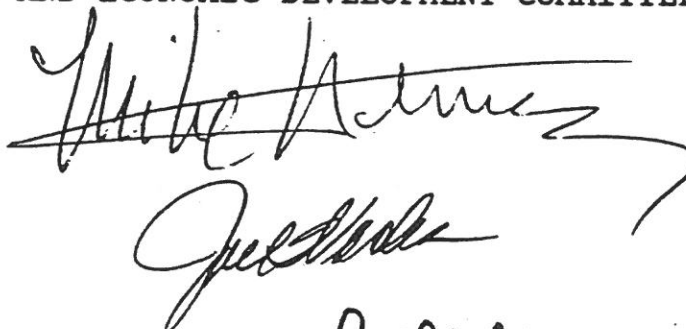
policy and would present it to the CED Committee in early 1995. CED Committee calendared the item for January 9, 1995, and at that time, the City Attorney requested that the matter be held until a written report could be presented to the Committee.

At its regular meeting on April 3, 1995, the CED Committee considered the report from the City Attorney dated 3-31-95 relative to a draft policy on the establishment, funding and operation of BIDs. The City Attorney presented one additional policy issue that had not been discussed in any of the previous meetings: the formation of a BID coordinating unit in either the Mayor's Office or the Community Development Department to assist in establishing and maintaining these districts and to administer the operating contracts for the districts. The CED Committee approved the City Attorney "Interim" policy; however, has recommended that this last policy issue be considered by the full Council before any action can be taken.

Respectfully submitted,

COMMUNITY AND ECONOMIC DEVELOPMENT COMMITTEE

AB
4-4-95



REPORT
ADOPTED

APR 12 1995

LOS ANGELES CITY COUNCIL

Mayor With File -NA

<input type="checkbox"/>	Petitioner/Communicant	
<input type="checkbox"/>	Council Member(s)	
<input checked="" type="checkbox"/>	Chief Legislative Analyst	(Mail Stop 136)
<input checked="" type="checkbox"/>	City Administrative Officer	(Mail Stop 130)
<input checked="" type="checkbox"/>	Office of the Mayor	(Mail Stop 370)
<input checked="" type="checkbox"/>	Controller	(Mail Stop 183)
<input type="checkbox"/>	Treasurer	(Mail Stop 750)
<input type="checkbox"/>	General Services Department	(Mail Stop 710)
<input type="checkbox"/>	Department of Transportation	(Mail Stop 725)
<input type="checkbox"/>	City Planning Department	(Mail Stop 395)
<input checked="" type="checkbox"/>	Community Development Department	(Mail Stop 854)
<input type="checkbox"/>	Community Redevelopment Agency	(Mail Stop 182)
<input type="checkbox"/>	Board of Public Works	(Mail Stop 465)
<input checked="" type="checkbox"/>	<i>City Attorney</i>	
<input type="checkbox"/>	<i>Private Industry Council</i>	
<input checked="" type="checkbox"/>	<i>City Clerk - attn: Mike Carey</i>	
<input type="checkbox"/>		
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FPPC ATTACHMENT